

IRVIN CORLEY, JR.
FISCAL ANALYST
(313) 224-1076

City of Detroit
CITY COUNCIL
FISCAL ANALYSIS DIVISION
Coleman A. Young Municipal Center
2 Woodward Avenue, Suite 218
Detroit, Michigan 48226
FAX: (313) 224-2783
E-Mail: cc-fiscal@ci.detroit.mi.us

ANNE MARIE LANGAN
ASSISTANT FISCAL ANALYST
(313) 224-1078

TO: COUNCILMEMBERS

FROM: Irvin Corley, Jr., Director
Derrick Headd, Fiscal Staff Analyst

DATE: January 24, 2007

RE: Enterprise Zone Cost Benefit Analysis

The Fiscal Analysis Division was asked to develop a cost benefit analysis process to evaluate prospective Enterprise Zone projects presented to your Honorable Body. To do this, we have met with and discussed this topic with staffs of the City Planning Commission, PDD, DEGC (Detroit Economic Growth Corporation), the Assessors Office and Dr. Gary Sands of Wayne State University.

One of the most common themes of these meetings was a shared opinion that most of the major housing development that has occurred in the city in the last ten years would not have occurred without the NEZ designations. In particular, Assessors pointed out that in the 10-15 year period prior to the NEZs, there were only 3 or four *houses* built in the city.

The Assessors primary method to decide an area is eligible for a NEZ is to determine if the new homes would raise the property values in the immediate area, thereby abating or eliminating blight. For example, if the homes in a proposed area were already selling on average for around \$50,000, and the new NEZ homes would sell for \$150,000, this proposed NEZ proposal would likely be approved by the Assessors office.

Going a step further in this methodology we suggest six questions for a Cost Benefit Analysis for projected NEZ projects. It is our belief that answers to the following questions will assist the Council in determining the cost benefit of a proposed NEZ project:

1. What are the current number vacant and occupied residential and commercial parcels in the proposed project area?
2. What was the average home sales price in the proposed area for the past two years?
3. What is the proposed number of new or rehabbed homes or units in the project area and what is their proposed sales price range? In addition, what is the projected commercial investment in the proposed project area?
4. What is the projected income of the new residents or annual sales and or revenue for the proposed businesses in the project area?

5. **What are the annual property taxes collected in the area prior to the project establishment in the proposed project area?**
6. **What are the projected annual property tax collections upon project completion in the proposed project area?**

Please contact us if we can be of any further assistance.

Attachment:

cc: Council Divisions
Auditor General's Office
Roger Short, Chief Financial Officer, Finance Department
Julie Castone, Finance Assessors
Herman McCord, Finance Assessors
Roger Short, Budget Department Director
Douglas Diggs, Planning & Development Department
Clinton Griffin, Planning & Development Department
Kandia Milton, Mayor's Office

I:\HEADD\NEZ CostBenefitAnal.doc